

NEIGHBORHOOD ASSISTANCE TAX CREDIT PROGRAM 2015 PRE-AWARD WEBINAR

March 9, 2015

March 11, 2015

March 12, 2015

Taura Edwards

Director of Community Programs

OUR VISION FOR INDIANA

An Indiana with a sustainable quality of life for all Hoosiers in the community of their choice.

OUR MISSION

To provide housing opportunities, promote self-sufficiency, and strengthen communities.

TO ACCOMPLISH THIS WE WILL:

- Promote place-based initiatives that will allow Hoosiers opportunities to improve their quality of life
- Create and preserve housing for Indiana's most vulnerable populations
 - Enhance self sufficiency initiatives in existing programs
- Improve our efficiency by expanding Continuous Improvement, including LDMS, to all of IHCD.

For more information about IHCD, please visit www.in.gov/ihcd

TOPICS:

This webinar will cover the following topics:

- NAP Basics
- Eligibility
- Tax Credit Basics
- Application
- Award Process and Announcement
- Contribution Policy
- 2015 Program Timeline
- Re-Allocation

NAP SUMMARY

- The Neighborhood Assistance Program is a program of the State of Indiana that provides \$2.5 million tax credits annually to non-profit organizations for sale as a fundraising and capacity building tool.
- NAP is created by Indiana Code 6-3.1-9.
- NAP credits are worth 50% of the value of a contribution and are deducted from a donor's **state** tax liability.
- NAP is administered by the Indiana Housing and Community Development Authority (IHCDA).
- Donations are reported to the Indiana Department of Revenue and a credit is given to the donor's state tax liability.

TAX CREDIT BASICS

What is the difference between a Tax *Credit*, and a Tax *Deduction*?

A **tax deduction** reduces a taxpayer's taxable income.

A **tax credit** counts as if it were taxes already paid, and reduces the taxpayer's total tax liability.

Example:

Taxpayer income: \$40,000

Tax rate: 25%

Tax Liability: $(40,000 \times .25) = \$10,000$

- A \$1,000 tax **deduction** would reduce the taxpayer's taxable income to \$39,000.

$$40,000 - 1,000 = 39,000$$

$$39,000 \times .25 = \underline{\$9,750}$$

- A \$1,000 tax **credit** would reduce the taxpayer's tax liability to \$9,000.

$$40,000 \times .25 = 10,000$$

$$10,000 - 1,000 = \underline{\$9,000}$$



Indiana Housing & Community Development Authority

HOW DO ORGANIZATIONS USE THE TAX CREDITS?

- Many organizations use tax credits as a fundraising tool.
- As their donors give to programs or services, the tax credits offer the donors a tangible benefit in exchange for their monetary or in-kind contribution.
- Tax credits become a great way to develop and implement annual giving campaigns or build a network of consistent donors.

NAP ELIGIBILITY

To be eligible for NAP Credits, an organization must meet the following criteria:

- Maintain 501(c)(3) status with the Internal Revenue Service **and** have received a ruling of tax exemption from the Indiana Department of Revenue under Indiana Code 6-2.5-5-21
- Remain **in good standing** with the Indiana Secretary of State.
- Serve one or more of the following:
 - **An economically disadvantaged area** (an enterprise zone or federally designated area based on median per capita income for the state or metro area)
 - **Economically disadvantaged households** (at or below 80% area median income)
 - **Ex-offenders**
- Have successfully completed the 2014-15 NAP cycle (if you are past participant)- sold 100% of the credits and reporting in a timely manner.

NAP ELIGIBILITY

There are two types of applicants.

New Applicant

- Has not participated in the current or previous two years (2012-2014).
- May apply for **up to \$15,000**.

If your last award was FY2011-12 or prior, then your organization would fall in this category.

Current NAP Recipient

- Has participated in at least one of the current or previous two years (2012-2014)
- May apply for **up to \$40,000**.

Your organization received an award in 2012 and 2013, but not 2014. You would fall within this category.

NAP PROGRAM CATEGORIES

According to the Indiana state code, there are five program categories.

Community Services-

- Counseling and Advice
- Emergency Assistance
- Medical Care
- Recreational Facilities
- Housing Facilities
- Economic Development Assistance

Crime Prevention-

Including any activity that aids in the reduction of crime in an economically disadvantaged area.

Education-

Including any type of scholastic instruction or scholarship assistance to an individual who resides in an economically disadvantaged area, is an ex-offender, that enables the individual to prepare for better life opportunities.

NAP PROGRAM CATEGORIES

Job Training-

Any type of instruction to an individual who resides in an economically disadvantaged household, or to an ex-offender, that enables the individual to acquire vocational skills so that the individual can become employable or be able to seek a higher level of employment.

Neighborhood Assistance-

Either furnishing financial assistance, labor, material, or technical advice to aid in the physical or economic improvement of any part or all of an economically disadvantaged area; or furnishing technical advice to promote higher employment in any neighborhood in Indiana.

NAP APPLICATION

The 2015 NAP Application will be completed on a new site this year. The application will ask for the following information:

Organization information:

- Project Name
 - Name of Applicant
 - Name of Applicant Organization
 - Federal ID#
 - Address
 - Phone Number
-
- Organization Name
 - CEO Name
 - CEO Email
 - Point of Contact Name
 - Point of Contact Title
 - Point of Contact Email

Eligibility Information:

- 501(c)3 status
- Prior NAP cycle success
- Prior NAP cycle reports submitted
- Pre-Award Webinar Completed
- Counties Served

NAP Information:

- Overview of Agency
- Description of project/funds use
- Economically Disadvantaged Population/Household justification
- Poverty Levels of service population

Project Information

- Project Category
- Project sub-category (if applicable)
- Amount of Request

Beneficiary and Special Needs

Population info:

- Income levels of service population
- Target Populations estimations

NAP APPLICATION

The 2015 NAP Application will be completed on a new site this year.

Below is a screen shot of the cover of the application. As you can see, it's fairly simple.

Please be advised that the software does not save partially completed applications. So please ensure to have the information ready before you begin to complete the application.

You will need to complete the application in one setting. Do not attempt to save and complete at a later date.



2015 Application

Thank you for your interest in the Neighborhood Assistance Program.

The 2015 NAP Application will open on March 13, 2015 and remain open until April 17, 2015. Please return during those dates to complete an application. Applications completed outside of those dates will not be considered.

Organization Name *

Organization Address *

Street Address
Street Address Line 2
City
State / Province
Postal / Zip Code
Country

Area Code

Phone Number

CEO Name *

First Name Last Name

CEO Email *

ex: myname@example.com

Contact Person Name *

Contact Title *

Contact Person email *

ex: myname@example.com

EIN / Tax ID Number *

Application Number *

What Indiana counties does your organization serve? *

☐ Adams ☐ Allen ☐ Bartholomew ☐ Benton



AWARD PROCESS

The formula below is used to determine the value of an applicants NAP award. Elements such as the total available credits and the requested credit amount are taken into account.

$$\left(\frac{\text{Total Available Credits}}{\text{Total Requested Credits}} \right) = \text{Allocation Percentage} \times \text{Applicant Requested Credits} = \text{Award Amount}$$

(\$2.5 million in 2014)

AWARD ANNOUNCEMENT

Once the award calculations have been performed, award packets will be sent electronically to all awardees on or before June 30, 2015.

These packets will contain:

- An award letter
- A grant agreement
- An authorized signatory page.
- A copy of the 2015-16 NAP Award Manual

These items must be completed and returned to IHCDa **via U.S. Mail** on or before **July 31, 2015**. If these documents are not returned, IHCDa retains the right to withdraw the award and reallocate it to other organizations.

The organization will also be required to set up an account in IHCDa's online management system. It can take up to three business days to create an account.

No credits should be sold until the award agency has received executed documents.

THE NAP PROCESS



1. IHCD A accepts applications once each fiscal year from organizations who wish to sell NAP tax credits. IHCD A determines the eligibility of these organizations, and distributes tax credits accordingly.
2. The organizations will give donors confirmation of their contribution for tax purposes, which allow the donor to claim the contribution and receive the tax credit when filing taxes. (Confirmation is provided through a by letter or a copy of the NC-10 form).

CONTRIBUTION POLICY

Awardees may begin accepting contributions as soon as the fully executed Grant Agreement has been returned by IHCD.

No single contributor may purchase more than \$25,000 in NAP credits in a calendar year (a \$50,000 contribution). Contributions of amounts smaller than \$100 will only be accepted if the awardee's remaining credit balance is less than \$100 in total.

Eligible Contributions:

- Cash
- Check
- Credit Card
- Stock (which has been liquidated)
- Contributions designated through United Way
- In-kind donations (exclusively building materials.)
- Property donations

Organizations and corporations are welcome to make NAP contributions as well as individuals.

THE NAP PROCESS



3. Over the course of the fiscal year, the organizations prepare as many as three reports for submission to IHCDA. These reports include all relevant information pertaining to donors who purchased NAP tax credits, as well as a close-out report.
4. Each calendar year, IHCDA compiles those donor reports into a single report that is submitted to the Indiana Department of Revenue. This is the NC-20 report.

REPORTING DONOR CONTRIBUTIONS

- Each NAP recipient will be responsible for reporting donor contributions into IHCD's online system.
- The organization should have the donor complete an NC-10 form with the contribution or provide the donor with a contribution letter as documentation that the contribution was given and a tax credit was allocated.
- The donor's information will be input into the online system.
- IHCD will submit a statewide report with the donors' information to the Department of Revenue (IDOR) each January. This electronic report replaces the donor's obligation to submit the NC forms to IDOR.
- This information will also be used to ensure that your organization has met the benchmark requirements for selling credits.

REPORTING PROCESS

All NAP award recipients will be required to submit up to three reports per NAP award- Mid-Year, End of Year, and Final Closeout. The reports detail the credits sold.

All contributions must be reported at **IHCDAOnline.com**. Your organization will create an account in this system when the executed documents are received.

The report will ask for the following information:

- Contributor Name
- Contributor Address
- Contributor Tax ID (Social Security or Business Tax ID Number)
- Date of Contribution
- Amount of Contribution

****PLEASE ENSURE THAT YOU COLLECT THIS INFORMATION
AT THE TIME THE CONTRIBUTION IS MADE.****

MID-YEAR REPORTING

- Reflects all donations received between July 1 and November 30, 2015.
- The first report of the NAP cycle is due roughly five months after the award is made, on **December 4, 2015**.
- This report must reflect a sale of a **minimum of 60%** of each organization's total credit allocation.
- This report is electronic and is submitted via IHCDAOnline.com.
- If the report is late, then the agency will be ineligible to apply for tax credits during the next program year.
- If the benchmark is not met, then the agency's credits may be de-allocated and redistributed to other NAP recipients who met the benchmark.

DEALLOCATION

- Once the reporting is completed, IHCDa will review the information **for timely submission** and **meeting the sales benchmark of 60%**.
- If an organization does not meet the sales (performance) benchmark, then the remaining balance will be deallocated from the organization's award amount.
- The organization will receive an amended grant agreement with a decreased award amount.
- The organization will still be required to submit a final closeout report.

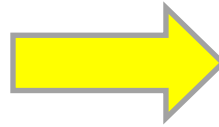
Re-Allocation Policy

- All organizations who meet the sales (performance) benchmark and submit timely reports will be eligible for additional credits, or re-allocation.
- During the application process, the organization will be asked to mark Yes/No regarding an interest in receiving additional credit. Organizations must mark yes to be considered.
- A survey will be sent to the eligible organizations about the re-allocation along with the estimated amount of additional credits.
- If the organization agrees to a re-allocation, then the organization will receive an amended grant agreement with the new award amount.
- The organization must agree to sell all of the credits by March 31, 2016.

WHY IS REPORTING IMPORTANT?

- It assists the state with keeping track of how many credits have been sold and ensures that the state's tax credit budget is properly reconciled.
- It ensures that the state does not sell more credits than allocated or that the state does not leave any credits unsold.
- Most importantly, it provides the documentation for reporting the donor information to IDOR and completes the NC-20 reporting process on behalf of the donor.

The NAP Process



Indiana Department of Revenue



5. As donors file their tax returns and claim their credits, DOR compares the information presented on the donor's tax documents to the donor report submitted by IHCD A to determine eligibility.

CLAIMING THE NAP CREDITS

- Mid-Year Reporting is timed to align with the annual tax filing season for donors and organizations.
- Donors will claim their credits during the applicable tax season. The information will be approved or rejected by IDOR.
- If your donor's tax credits are denied by the Indiana Department of Revenue, they will, most likely, notify you. The following steps should be taken:
 - Verify that the contribution was made.
 - Verify that the contribution was reported.
 - Verify that the information reported was accurate.
- If the credit was not reported or reported incorrectly, then the organization will need to enter the information into the online system and contact IHCDCA that additional credits were entered. IHCDCA will submit the additional info to IDOR.
- If the credits were reported properly, then IHCDCA will review the report and work with IDOR about the reporting.

Agencies should not send donors to IDOR without prior review of the information by IHCDCA or the organization.

END OF THE YEAR REPORT

- Reflects all donations received between December 1 and March 31, 2016.
- The second report of the NAP cycle is due roughly nine months from the award date, **on April 1, 2016**.
- This report must **reflect the sale of 100%** of each organization's total credit allocation.

Note: An organization is not required to submit the End-of-Year Report if all its credits were sold and reported on the earlier Mid-Year Report.

FINAL CLOSEOUT REPORT

- This report details how the funds raised were used, based on the application submitted.
- It will describe the impact that funds had on a local program, clients, or community.
- **The final 2015 Close-Out Report is due on September 30, 2016.**
- This report is electronic, and should be completed at:
<http://form.jotform.us/form/50285560735154>

2015-16 Program Timeline

Pre-Award Webinar	March 9-31, 2015
Applications Open	March 13, 2015
Applications Close	April 17, 2015
Awards Announced by	June 30, 2015
Grant Agreement Issued by	June 30, 2015
Grant Agreements Returned	July 31, 2015
Mid-Year Donor Report Due	December 4, 2015
End of Year Donor Report Due	April 1, 2016
Close-Out Report Due	September 30, 2016

Tax Season Prep

A webinar will be conducted prior to the end of the calendar year to outline procedures and policies related to tax filing for NAP Contributors.

Contributors may request documentation to include with the Indiana State Tax Return.

If your organization has failed to collect accurate tax information, it will create serious complications for your contributors attempting to claim those credits.

Thank you for participating in this webinar.

**For more information about NAP, please contact
Taura Edwards, Director of Community Programs,
at
NAP@ihcda.in.gov
(317) 234-5825**

**A digital copy of this webinar will be available shortly on the IHCDa website at
www.IHCDA.in.gov.*